

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

STARRED QUESTION NO:37
ANSWERED ON:20.10.2008
POSTAL SAVINGS SCHEMES
Jindal Shri Naveen;Nikhil Kumar Shri

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the total investment in small saving schemes of Posts Offices is declining;
- (b) if so, the details thereof for the last three years and the current year and the reasons therefor;
- (c) whether the Government proposes to raise the interest rate on these schemes to make them more attractive; and
- (d) if not, the reasons therefor?

Answer

THE MINISTER OF COMMUNICATIONS AND INFORMATION TECHNOLOGY(SHRI A. RAJA)

(a) to (d) A Statement is laid on the Table of the House.

STATEMENT TO BE LAID ON THE TABLE OF THE LOK SABHA IN RESPECT OF PARTS (a) TO (d) OF THE LOK SABHA STARRED QUESTION NO. 37 FOR 20TH OCTOBER, 2008 REGARDING "POSTAL SAVINGS SCHEMES".

(a) Yes, Sir.

(b) The details of the total investment in the Post Offices for the last three years and the current year are given at Annexure. The investors have several alternative instruments for effecting personal savings and the decline is therefore a function of investors' exercise of choice.

(c) & (d) Interest rates on small savings schemes are administered Interest Rates. High rates of administered interest rate have fiscal implications and therefore, need to be linked to the cost of borrowings by the Central Government. As per the recommendations of the Committee on Administered Interest Rates and other related issues, chaired by Dr. Y.V. Reddy, the then Deputy Governor, RBI, these interest rates are benchmarked to the average yield on Government Securities of comparable maturity in the secondary market, with a suitable spread upto 50 basis points depending upon the maturity and liquidity of the instruments. Recent analysis shows that while the average yield on Government Securities of shorter maturities (one to three years) is at present slightly higher compared to interest rates on small savings schemes of comparable maturities, the interest rates on Post Office Monthly Income Account Scheme (POMIA), National Savings Certificate (NSC)-VIII Issue, Kisan Vikas Patra (KVP) and Senior Citizens Saving Scheme (SCSS) still enjoy a reasonable spread over Government securities yield. Further, net collections under small savings schemes are on lent to the States and serve as a source of funding their Annual Plans, any increase in the small savings interest rates will result in a concomitant increase in the on-lending rate to the States. The State Government have not been comfortable even with the existing rate of 9.5% for 25 years and any increase thereof will imply higher debt servicing costs and is likely to be resisted. Keeping these factors in view, the existing interest rates on small savings schemes are being maintained.